

## Message Text

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ORIGIN EUR-12

INFO OCT-01 ISO-00 IO-13 L-03 AID-05 CEA-01 CIAE-00

COME-00 EB-07 EA-09 FRB-01 INR-07 NEA-10 NSAE-00

USIA-15 OPIC-06 SP-02 TRSE-00 CIEP-02 LAB-04 SIL-01

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DRAFTED BY EUR/RPE:ADSENS:VF

APPROVED BY EUR/RPE:ACALBRECHT

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EUR/RPE:PLLAASE

L/UNA:RSTOWE

IO/BAPS:FMCCORMICK

IO/BAPS:WSOUTHWORTH

IO/SEC:RVHENNES

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P 022153Z SEP 76

FM SECSTATE WASHDC

TO USMISSION OECD PARIS PRIORITY

UNCLAS STATE 218200

E.O. 11652: N/A

TAGS: OECD, AORG

SUBJECT: OECD REIMBURSEMENT OF U.S. INCOME TAX

1. USG PREPARED REIMBURSE OECD FOR PAYMENTS TO COMPENSATE EMPLOYEES REQUIRED TO PAY U.S. INCOME TAX ON THEIR OECD SALARIES. IT IS UNDERSTOOD THAT PURPOSE OF SUCH COMPENSATION BY OECD IS TO INSURE THAT SALARIES OF EMPLOYEES SUBJECT TO U.S. INCOME TAXES ARE EQUIVALENT TO THOSE OF EMPLOYEES NOT SUBJECT TO NATIONAL TAXES. A FORMAL AGREEMENT ESTABLISHING PROCEDURES FOR USG REIMBURSEMENT TO OECD WILL BE REQUIRED.

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2. MISSION REQUESTED DISCUSS WORDING OF SUCH AN AGREE-

MENT WITH OECD. IF AGREEABLE TO OECD, AMBASSADOR  
TURNER WOULD SEND LETTER TO SECRETARY-GENERAL VAN LENNEP  
AS FOLLOWS:

BEGIN TEXT: I HAVE BEEN AUTHORIZED TO INFORM YOU  
THAT THE UNITED STATES GOVERNMENT CAN REIMBURSE THE  
ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT  
FOR THE SUMS UTILIZED TO REIMBURSE PERSONNEL SUBJECT TO  
PAYMENT OF U.S. INCOME TAX IN ORDER TO EQUALIZE THE  
REMUNERATION OF SUCH PERSONNEL AND THAT OF STAFF MEMBERS

OF THE OECD NOT SUBJECT TO NATIONAL TAXES. TO DO THIS,  
I PROPOSE BELOW A FORMAL AGREEMENT ESTABLISHING THE  
PROCEDURE:

"THE UNITED STATES GOVERNMENT UNDERSTANDS THAT THE  
ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT  
(OECD) WILL REIMBURSE OECD STAFF MEMBERS WHO ARE U.S.  
CITIZENS, OR OTHERWISE LIABLE TO PAY U.S. INCOME TAXES,  
FOR ANY U.S. INCOME TAXES PAID ON THEIR OECD INCOME  
THROUGH A SPECIAL SUSPENSE ACCOUNT. THE U.S. GOVERNMENT  
WILL BE OBLIGATED TO PAY A TAX EQUALIZATION CHARGE AS  
PART OF ITS ANNUAL PAYMENT TO THE OECD TO COMPENSATE  
THIS SPECIAL SUSPENSE ACCOUNT. THIS CHARGE WILL COVER  
ACTUAL REIMBURSEMENTS MADE BY THE OECD TO EMPLOYEES  
SUBJECT TO U.S. INCOME TAXES. THIS AGREEMENT DOES NOT  
COVER OECD EMPLOYEES PAID FROM VOLUNTARY FUNDS."

YOUR CONCURRENCE IN THE ABOVE PARAGRAPH BY LETTER WILL  
CONSTITUTE THE AGREEMENT BETWEEN THE UNITED STATES  
GOVERNMENT AND THE ORGANIZATION FOR ECONOMIC COOPERATION  
AND DEVELOPMENT FORMALIZING THE TAX REIMBURSEMENT  
PROCEDURE WHICH WILL ENTER INTO FORCE AS OF JANUARY 1,  
1977. END TEXT.

3. WE SUGGEST THAT VAN LENNEP SHOULD THEN RESPOND  
AS FOLLOWS:

BEGIN TEXT: THANK YOU FOR YOUR LETTER OF (DATE)  
PROPOSING A FORMAL AGREEMENT BY WHICH THE UNITED STATES  
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GOVERNMENT WILL COMPENSATE THE ORGANIZATION FOR ECONOMIC  
COOPERATION AND DEVELOPMENT FOR THE SUMS UTILIZED TO  
REIMBURSE U.S. INCOME TAXES INCURRED BY ITS STAFF MEMBERS  
PAID UNDER ITS REGULAR BUDGET. YOU PROPOSED AGREEMENT  
TO THE FOLLOWING TEXT, WHICH WOULD ESTABLISH THE PROCEDURE:

"THE UNITED STATES GOVERNMENT UNDERSTANDS THAT THE  
ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT

(OECD) WILL REIMBURSE OECD STAFF MEMBERS WHO ARE U.S. CITIZENS, OR OTHERWISE LIABLE TO PAY U.S. INCOME TAXES, FOR ANY U.S. INCOME TAXES PAID-ON THEIR OECD INCOME THROUGH A SPECIAL SUSPENSE ACCOUNT. THE U.S. GOVERNMENT WILL BE OBLIGED TO PAY A TAX EQUALIZATION CHARGE AS PART OF ITS ANNUAL PAYMENT TO THE OECD TO COMPENSATE THIS SPECIAL SUSPENSE ACCOUNT. THIS CHARGE WILL COVER ACTUAL REIMBURSEMENTS MADE BY THE OECD TO EMPLOYEES SUBJECT TO U.S. INCOME TAXES. THIS AGREEMENT DOES NOT COVER OECD EMPLOYEES PAID FROM VOLUNTARY

FUNDS."

I AM HAPPY TO INDICATE MY CONCURRENCE IN THE ABOVE TEXT, ON THE UNDERSTANDING THAT IT CONCERNS ALL U.S. INCOME TAXES LEVIED ON OECD INCOME, AND MY ACCEPTANCE THAT THIS EXCHANGE OF LETTERS CONSTITUTES THE AGREEMENT BETWEEN THE UNITED STATES GOVERNMENT AND THE ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT FORMALIZING THE TAX REIMBURSEMENTS PROCEDURE WHICH WILL ENTER INTO FORCE AS OF 1 JANUARY 1977. END TEXT.

4. WHEN DEPARTMENT INFORMED ABOVE ACCEPTABLE TO OECD, EXCHANGE OF LETTERS WILLBE AUTHORIZED.

5. TO OBTAIN REIMBURSEMENTS OECD SHOULD INCLUDE "TAX EQUALIZATION" AS A LINE ITEM IN THE ANNUAL BILLING OF THE U.S. ASSESSMENT. WE WOULD PREFER TO DO IT ON A STRICT REIMBURSEMENT BASIS, I.E., OECD WOULD BILL AFTER THE FACT, ON THE BASIS OF A LIST OF ACTUAL REIMBURSEMENTS MADE TO EMPLOYEES. KISSINGER

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**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
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**TAGS:** AORG, OECD  
**To:** OECD PARIS  
**Type:** TE  
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